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TRIO GOLD CORP.

A N N U A L

R E P O R T

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STOCKHOLDER INFORMATION

ANNUAL MEETING OF STOCKHOLDERS

Trio's annual general meeting of stockholders will be held at 8:00 a.m. on Friday September 30, 1994 at the 400 Club, 710 - 4th Avenue S.W. Calgary Alberta.

Notice of the meeting, together with the information circular and Proxy material will be mailed to stockholders of record as of August 19, 1994.

Transfer Agent and Stock Registrar
Montreal Trust
411 - 8th Avenue S.W.
Calgary, Alberta

Stock Exchange Listing
Alberta Stock Exchange

Stock Exchange Symbol
TGK

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CORPORATE INFORMATION

DIRECTORS

Harry B. Ruskowsky
Turner Valley, Alberta

Earl W. Abbott
Reno, Nevada

Robert LaChance
Montreal, Quebec

OFFICERS

Harry B. Ruskowsky
President

Robert LaChance
Corporate Secretary

EXECUTIVE OFFICE

Suite 1170
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Calgary, Alberta
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AUDITORS

Michael A. Kociuba
Professional Corporation
Chartered Accountants
Calgary, Alberta

LEGAL COUNSEL

David R. Abbey
Professional Corporation
Edmonton, Alberta

BANKERS

Hongkong Bank of Canada
Calgary, Alberta

LETTER TO THE SHAREHOLDERS

I am pleased to report your Company's progress for the year ended March 31, 1994.

The Company's working capital increased by \$ 295,600.00 from the previous year. A private placement of 750,000 shares to five institutional investors in Europe at \$ 1.25 per share, was concluded. Five hundred thousand outstanding share warrants at 75 cents per share were exercised and 210,000 shares at 60 cents, pursuant to the Company's share incentive plan, were exercised.

Profile Capital Corporation spent a total of 1 million US dollars on the Company's Rodeo Creek property, located on the Carlin Trend in Nevada. Five shallow holes, ranging from 500 to 1500 feet, were drilled and two deep tests to approximately 3200 feet were drilled. The drill holes tested several structures along the intersection of major faults and cross faults that traverse the property. Gold assayed up to 0.02 over a 20 foot interval at a depth of 120 to 140 feet, in hole RC-21. A detailed multi-element pattern recognition study indicates a number of both shallow and deep seated gold targets remain to be tested.

Profile Capital Corporation has indicated its plan to continue exploration in the fall of 1994 to earn their interest in the property. In accordance with the terms of the agreement, Profile must spend an additional 2 million US dollars by the end of 1994 to earn a 20 percent interest, and a total of 7.5 million US by the end of 1996 to earn a 50 percent interest in the Rodeo Creek claim block.

A change in corporate philosophy to become more diversified resulted in the acquisition of a producing oil property in the Redwater area of Alberta. This production acquisition cost a total of \$ 750,000.00 and is expected to generate cash flow in the range of four to five hundred thousand per year, after the pool is fully developed. Since the acquisition of the property in November of 1993, the Company has participated in the drilling of six horizontal wells. Recent wells drilled with multi-lateral sections are producing up to a 1,000 barrels of oil per day. Production to date has been curtailed due to the lack of fluid processing capacity. In late spring a 30,000 barrel per day central gathering and processing facility was completed, this facility should handle the total fluid production from the pool to enable the wells to produce at optimum rate.

Due to other business commitments, Dr. Edward Schiller resigned from the Board of Directors. Mr. Schiller's contribution to the Company was greatly appreciated. Mr. Robert LaChance, a well known Montreal businessman, has been appointed to the board.

The year ended March 31, 1994 marks the beginning of cash flow for the Company. Management will continue to pursue areas of opportunity that will enhance the corporate asset base and provide the Company with additional cash flow.

Sincerely,



Harry B. Ruskowsky
on behalf of the
Board of Directors

REDWATER, ALBERTA

The Company owns varying interests, ranging from 3 to 8.5 percent, in portions of section 8, 9 and 16 in TWP 56 Rge 20 W4 M. These lands form part of the producing Basal Mannville H. Oil Pool, operated by HCO Energy. This pool was originally defined by using the conventional vertical well method of drilling. In the spring of 1993, the first horizontal well was drilled in the pool. This well was placed on test at about 300 barrels of oil per day. To date, 17 horizontal wells have been placed on production on the Company's property. The most recent wells have been drilled using a more specialized horizontal drilling technique. By using this method, up to three horizontal laterals from a single surface pad have been drilled. A recent well which was

drilled with a multi-lateral section, is producing 1000 barrels of oil per day. Trio owns a 4.254 percent interest in this well. Horizontal drill technology is very effective in increasing oil production and minimizing water coning in this Basal Mannville H. Oil Pool.

Construction of the central gathering and processing facility was completed in late spring of 1994. The facility is capable of processing a total of 30,000 barrels of fluid per day, which is expected to handle all the fluid produced from the pool. Trio's cash flow should increase substantially when all wells have been completed and tied into this central system.



The above central gathering and processing facility, processes 30,000 barrels of fluid per day from the Basal Mannville H. Oil Pool. The facility is tied directly into a sales pipeline. Truck loading facilities are used to truck excess oil not handled by the pipeline.

GOLD MINES OF THE CARLIN RODEO CREEK PROPERTY - NEVADA

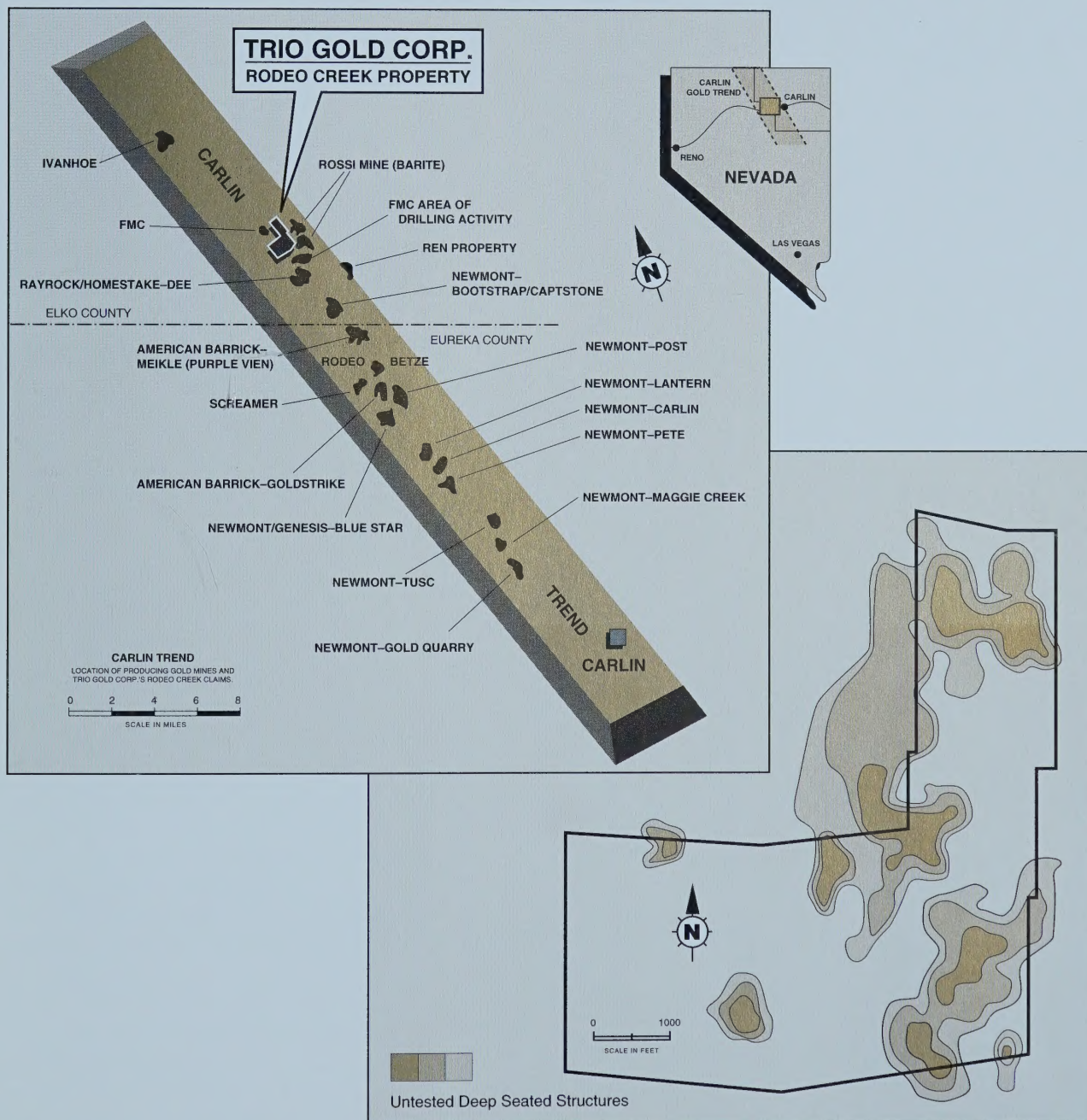
A total of seven holes were drilled on the Company's Rodeo Creek property last year. Five holes ranged in depth between 500 and 1500 feet and two holes were drilled to an average depth of 3200 feet. The exploration program, which was funded by Profile Capital Corporation, tested two separate structures that had been identified by a previous multi-element metal dispersion study. The objective of the drill program was to test two deep seated structures, close to the intersection of a major fault and a cross fault. Drilling proved to be costly due to massive formation fracturing. Gold mineralization was encountered in the drill holes, but it was not of economic grade.

Profile Capital Corporation have indicated their intention to proceed with an exploration program commencing in the fall of 1994. This program, if conducted, would test previously defined, undrilled deep seated structures.

Profile may earn a 20% interest by spending an additional two million US dollars by the end of 1994. They may earn an additional 30% interest by spending a total of 7.5 million US by the end of 1996.




Rig drilling Trio's RC-21 hole on Rodeo Creek property



CONSOLIDATED BALANCE SHEET **AS AT MARCH 31, 1994**

| | 1994 | 1993 |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 362,802 | \$ 20,361 |
| Accounts Receivable | 235,127 | 8,838 |
| Prepays | 11,121 | 8,490 |
| | <u>609,050</u> | <u>37,689</u> |
| Investment - Note 2 | 15,610 | 1,050 |
| Resource Property Costs - Notes 3 and 7 | 1,739,808 | 1,003,181 |
| Property, Plant and Equipment - Note 4 | 758,688 | 3,203 |
| Marketing Rights - Note 5 | 66,241 | - |
| | <u>\$ 3,189,397</u> | <u>\$ 1,045,123</u> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 309,501 | \$ 33,762 |
| Shareholders' Equity | | |
| Share Capital - Note 6 | 4,917,060 | 3,163,185 |
| Deficit | (2,037,164) | (2,151,824) |
| | <u>2,879,896</u> | <u>1,011,361</u> |
| On Behalf of the Board: | <u>\$ 3,189,397</u> | <u>\$ 1,045,123</u> |

Director



Director

Robert J. Macdonald

AUDITORS' REPORT

To the Shareholders of Trio Gold Corp.

We have audited the Consolidated Balance Sheet of Trio Gold Corp. as at March 31, 1994 and the Consolidated Statements of Income and Deficit and Changes in Financial Position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1994 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

Calgary, Alberta.
August 10, 1994

Heath & Co.

Chartered Accountants.

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

FOR THE YEAR ENDED MARCH 31, 1994

| | 1994 | 1993 |
|---------------------------------------|----------------|----------------|
| Income | | |
| Administrative and Overhead Fees | \$ 228,789 | \$ — |
| Production | 118,545 | — |
| | 347,334 | — |
| Freehold Royalties | (14,413) | — |
| Crown Royalties | (72) | — |
| | 332,849 | — |
| Expenses | | |
| Bad Debts | — | 2,318 |
| Consulting Fees | 27,052 | — |
| Depletion | 63,475 | — |
| Production and Operating | 42,792 | — |
| Resource Properties Abandoned | — | 48,995 |
| | 133,319 | 53,263 |
| Income (Loss) From Operations | 199,530 | (51,313) |
| Loss on Sale of Investments | (74,512) | |
| Write-down of Investments - Note 2 | (10,358) | (1,950) |
| | (84,870) | (1,950) |
| Net Income (Loss) For The Year | 114,660 | (53,263) |
| Deficit, Beginning of Year | (2,151,824) | (2,098,561) |
| Deficit, End of Year | \$ (2,037,164) | \$ (2,151,824) |

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1994

| | 1994 | 1993 |
|--|-------------|-------------|
| Operating Activities | | |
| Net Income (Loss) for the Year | \$ 114,660 | \$ (53,263) |
| Add Items Not Involving Cash | | |
| Depreciation | 1,719 | 920 |
| Depletion | 63,475 | |
| Resource Properties Abandoned | — | 48,995 |
| Loss on Sale of Investments | 74,512 | |
| Write-down of Investments | 10,358 | 1,950 |
| | 264,724 | (1,398) |
| Changes in Non-cash Working Capital | | |
| Accounts Receivable | (226,289) | 15,956 |
| Prepays | (2,631) | 5,105 |
| Accounts Payable | 275,739 | 8,954 |
| Cash Provided By Operating Activities | 311,543 | 28,617 |
| Financing Activities | | |
| Issuance of Share Capital | 1,753,875 | 211,000 |
| Investing Activities | | |
| Acquisition of Marketing Rights | (66,242) | — |
| Acquisition of Investments | (282,620) | — |
| Acquisition of Property, Plant and Equipment | (820,679) | (2,115) |
| Acquisition of Resource Property | (736,627) | (328,024) |
| Proceeds on Sale of Investments | 183,190 | |
| Cash Used in Investing Activities | (1,722,977) | (330,139) |
| Increase (Decrease) In Cash | 342,441 | (90,522) |
| Cash, Beginning of Year | 20,361 | 110,883 |
| Cash, End of Year | \$ 362,802 | \$ 20,361 |

NOTES TO CONSOLIDATED STATEMENTS

MARCH 31, 1994

1. Significant Accounting Policies**a) Consolidated Financial Statements**

These financial statements include the accounts of the Company and its wholly-owned subsidiary, Trio Resources Inc., an inactive US company.

b) Resource Property Costs

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

c) Oil and Gas Properties

The Company follows the full cost method of accounting for petroleum and natural gas properties, whereby all costs relating to the exploration for and development of reserves, whether productive or non-productive are capitalized. Such costs include land acquisition costs, geological and geophysical costs, costs of drilling productive and non-productive wells.

Proceeds on minor property sales are credited to the net book value of property and equipment without recognizing any gain or loss on disposition. Gains or losses on major property sales or major write-downs are recognized in the statement of earnings.

Depletion of oil and gas exploration and development costs is provided on the unit of production method based on the estimated proven reserves as determined by the Company and substantiated by independent professional engineers. Gas volumes are converted to equivalent oil volumes based upon the relative energy content of six thousand cubic feet of gas to one barrel of oil.

The cost less accumulated depletion and depreciation, deferred income taxes and the accumulated provision for future site restoration and reclamation costs ("capitalized cost") is limited to the sum of the following ("cost ceiling"):

- (1) The estimated undiscounted future net revenue (based on prices and costs at the balance sheet date) derived from proved reserves net of production related general and administrative costs, future site restoration and reclamation costs and income taxes; and
- (2) The lower of cost or fair market value or unproved properties.

Future net revenue is calculated using the Income Tax and the Alberta Royalty Tax Credit legislation as at the year end date.

d) Future Removal and Site Restoration Costs

Estimated future removal and site restoration costs are provided for using either the unit of production method or the straight line method, as appropriate, over estimated service lives and is currently estimated as \$Nil.

e) Depreciation

Lease and well equipment are being depreciated on the unit of production method.

Furniture and computers are depreciated on a declining balance method at an annual rate of 20% and 30% respectively.

f) Conversion of Foreign Currencies

The accounts of the Company's wholly-owned subsidiary have been translated into Canadian dollars on the following basis:

Exploration and development costs translated in a manner that produces substantially the same results as would have resulted had these items been translated on the date they occurred.

Monetary assets and liabilities (assets and liabilities whose nominal value, in terms of U.S. dollars, are fixed) at the exchange rate at year end.

Non-monetary assets and liabilities at historical rate.

Exchange gains (losses) arising on conversions are taken into income or expense in the year.

g) Earnings per Share

Earnings per share have not been calculated as it would not be meaningful in the Company's development phase of operations.

NOTES TO CONSOLIDATED STATEMENTS

MARCH 31, 1994

2. Investments

Details are as follows:

| | 1994 | | | 1993 | | |
|-------------------------|--------|-----------|-----------|--------|----------|----------|
| | Number | Cost | Market | Number | Cost | Market |
| Profile Capital Corp. | 22,400 | \$ 24,918 | \$ 14,560 | — | \$ — | \$ — |
| Nu Crown Resources Ltd. | 30,000 | 18,000 | 1,050 | 30,000 | 18,000 | 1,050 |
| | | 42,918 | 15,610 | | 18,000 | 1,050 |
| Write-down | | (27,308) | — | | (16,950) | — |
| | | \$ 15,610 | \$ 15,610 | | \$ 1,050 | \$ 1,050 |

The Company wrote down its investment in Nu Crown Resources Ltd. by \$ 25,000 to the market value of \$ 5,000 as at March 31, 1990. During the year ended March 31, 1992 the Company disposed of 20,000 of these shares to reduce the writedown to \$ 15,000 from \$ 25,000. During the previous year the Company wrote down its investment by a further \$ 1,950 to the market value of \$ 1,050 as at March 31, 1993. The market value is the same at March 31, 1994. During the year the Company wrote down its investment in Profile Capital Corporation by \$ 10,358 to its market value of \$ 14,560 at March 31, 1994.

3. Resource Property Costs.

| | 1994 | 1993 |
|------------------------------|---------------------|---------------------|
| Rodeo Creek property, Nevada | \$ 810,049 | \$ 354,023 |
| Indirect and administrative | 929,759 | 649,158 |
| | <u>\$ 1,739,808</u> | <u>\$ 1,003,181</u> |

4. Property, Plant and Equipment

Property, Plant and Equipment consists of the following:

| | 1994 | | | 1993 |
|-------------------------|-------------------|--------------------------|-------------------|-----------------|
| | Cost | Accumulated Depreciation | Net | Net |
| Oil and Gas Properties | \$ 609,096 | \$ 47,434 | \$ 561,662 | \$ — |
| Equipment | 205,983 | 16,041 | 189,942 | — |
| | 815,079 | 63,475 | 751,604 | — |
| Furniture and Computers | 13,550 | 6,466 | 7,084 | 3,203 |
| | <u>\$ 828,629</u> | <u>\$ 69,941</u> | <u>\$ 758,688</u> | <u>\$ 3,203</u> |

5. Marketing Rights

The Company acquired the rights to manufacture and market exclusively for all of Canada the gas compressor lubricating system trade named "Ecolube". Amortization of the marketing rights will be done on a per unit basis, once sales commence.

6. Share Capital

a) Details are as follows:

Authorized

Unlimited Number of Common Shares

Unlimited Number of First and

Second Class Preference Shares

Issued and Fully Paid:

9,371,111 Common Shares (1993 - 7,761,111)

| | 1994 | 1993 |
|--|---------------------|---------------------|
| | <u>\$ 4,917,060</u> | <u>\$ 3,163,185</u> |

b) During the year the following shares were issued:

| Shares Issued | Price Per Share | Consideration | |
|------------------|-----------------|---------------------|-------------------|
| | | Cash | Services |
| 750,000 | \$ 1.25 | \$ 937,500 | \$ — |
| | | (119,625) | |
| | | 817,875 | |
| 210,000 | .60 | 126,000 | — |
| 500,000 | .75 | 375,000 | — |
| 150,000 | 2.90 | — | 435,000 |
| <u>1,610,000</u> | | <u>\$ 1,318,875</u> | <u>\$ 435,000</u> |

Specific share issuance costs of \$ 119,625 were applied against the consideration received as a reduction of proceeds.

NOTES TO CONSOLIDATED STATEMENTS

MARCH 31, 1994

- c) 100,000 shares are held in escrow to be released only with the consent of the governing regulatory bodies.
- d) Options have been granted for 560,000 shares with an exercise price of \$.60 per share pursuant to the Company's Share Incentive Plan, which expires June 15, 1997.

7. Property Agreements

Rodeo Creek Property

The Company by a letter of agreement dated 1 March 1989 has agreed to a conditional finder's fee to Sierra Exploration Inc. ("Sierra") in connection with the Rodeo Creek property. During the year the Company issued treasury shares to Sierra as follows:

| Date | Treasury Share Issuance |
|---|-------------------------|
| Upon the Company acquiring the property | 50,000 |
| Completion of \$ 100,000 of post-acquisition exploration expenses | 50,000 |
| Completion of an additional \$ 150,000 of post-acquisition exploration expenses | 50,000 |
| | <u>150,000</u> |

Any post-acquisition exploration expenditures are at the option of the Company.

The Company entered into an agreement February 18, 1993 with Profile Capital Corporation to incur property exploration and development expenditures. Profile has agreed to spend a total of 7.5 million U.S. dollars to earn 50% interest in the Rodeo Creek Property. The exploration is staged over a four year period.

8. Related Party Transactions

- a) There were no management fees paid or accrued during the year.
- b) The conditional finder's fee agreement (Note 7) was granted to a company controlled by a director of Trio Gold Corp.
- c) Included in Accounts Payable is \$ 20,484 owed to a director of Trio Gold Corp. for reimbursement of expenses.

9. Income Taxes

The Company has tax pools to apply against future income otherwise taxable as follows:

| | |
|--|---------------------|
| Share Issuance Costs | \$ 95,700 |
| Undepreciated Capital Cost | 190,641 |
| Canadian Oil and Gas Property Expenses | 540,009 |
| Canadian Exploration Expenses | 734,656 |
| Canadian Development Expenses | 123,741 |
| Foreign Exploration and Development Expenses | 1,499,184 |
| Earned Depletion | 51,378 |
| | <u>\$ 3,235,309</u> |

The Company utilized the entire \$ 88,027 of non-capital loss carry-forwards during the year, resulting in an approximate tax savings of \$ 39,000. The income tax benefits, if any, of these amounts have not been reflected in these financial statements. The Company has \$ 63,225 of capital losses to apply against future taxable capital gains.

10. Commitments

The Company has an office lease until May 31, 1995 and is committed to minimum annual premises lease payments as follows:

| | |
|----------------|------------------|
| March 31, 1995 | \$ 27,462 |
| March 31, 1996 | 4,577 |
| | <u>\$ 32,039</u> |

11. Subsequent Events

Subsequent to March 31, 1994, the Company signed an agreement to purchase certain metallic mineral permits. The purchase price is 125,000 common shares and \$ 30,000 cash. The cash has not been paid and the shares have not been issued, as of the audit report date.



TRIO GOLD CORP.

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